



Wage Price Indexes FAQs

Q. What is the Wage Price Index (WPI)?

A. The WPI survey is used to construct the Wage Price Index which measures changes in the price of labour in the Australian labour market. In a similar manner to the CPI, the WPI follows price changes in a fixed "basket" of jobs and is therefore not affected by changes in quality and quantity of work.

Q. How can I find WPI data?

A. The WPI publication can be accessed by clicking on this link [Wage Price Index, Australia \(cat. no. 6345.0\)](#).

Alternatively, under National Statistics on the ABS home page select Key Economic Indicators. Information on the headline WPI percentage change from the previous quarter and percentage change from the corresponding quarter of the previous year, can be found by finding the dedicated Wage Price Index, Australia (cat. no. 6345.0) row in the table. Clicking on the link on the 6345.0 catalogue number will take you to the **Summary** tab of the Wage Price Index publication. This contains sections outlining **Main Features** of the data, **Changes in this Issue**, **Commentary** and other useful summary information. Detailed price information can be accessed under the **Downloads** tab in the WPI web page. There are also dedicated tabs for **Explanatory Notes Past and Future Releases** and **Related Information**.

For more guidance on information contained in the WPI publication contact the ABS National Information and Referral Services (NIRS) on 1300 135 070.

Finally, detailed information on the concepts, sources and methods underpinning the WPI can be found by accessing [WPI: Concepts, Sources and Method 2012 \(cat. no. 6351.0.55.001\)](#).

Q. How is WPI data used?

A. The WPI is a key economic indicator that is used by a wide range of organisations and

individuals in industrial relations forums, developing wages policy, and economic analysis. WPI is the major measure of inflationary pressure on wages and salaries and is one of the preferred information sources when assessing monetary policy.

Q. How is the WPI sample chosen?

A. A two stage sampling methodology is used to generate a sample of employee jobs for the WPI. The first stage selects a sample of businesses whilst in the second stage a sample of employee jobs are selected from within these businesses.

In the first stage sampling, approximately 3 000 private and public sector businesses are selected from the ABS Business Register. These businesses are selected by stratifying the target population of businesses by state/territory, sector (private/public), industry group and business size and selecting a random sample from each strata. For a number of complex organisations further sampling is undertaken to simplify reporting arrangements.

Approximately 18,000 jobs are selected in the second stage.

For more information refer to [WPI: Concepts, Sources and Method 2012 \(cat. no. 6351.0.55.001\)](#), Chapter 6 "Sampling".

Q. What employer costs does the WPI cover?

A. The wage price indexes encompass cash payments to employees and include ordinary time earnings, overtime earnings, bonuses, together with the value of any salary sacrificed.

Q. How are WPI prices collected?

A. Information for the WPI is collected each quarter by mail questionnaires from a sample survey of private and public sector employers from the ABS Business Register. The questionnaires used in the first quarter in which a business is included in the survey are different from those used in subsequent quarters. The initial questionnaire involves the business selecting a sample of jobs from the workplace(s) using sampling instructions provided by the ABS, and providing detailed pricing specifications of those selected jobs. In subsequent quarters these businesses are asked to provide details of payments made to the current occupants of these same jobs in the specified reference period of that quarter. It is essential that the same jobs are priced in successive quarters,

whether the individual job occupants are the same or not.

For more information refer to [WPI: Concepts, Sources and Method 2012 \(cat. no. 6351.0.55.001\)](#), Chapter 8 "Price Collection" and [Wage Price Index, Australia \(cat. no. 6345.0\)](#), Explanatory Notes tab "Data Collection".

Q. How is the JobKeeper Payment treated in the WPI?

A. The JobKeeper Payment scheme is a temporary wage subsidy for businesses significantly affected by COVID-19. To assist businesses responding to the WPI survey, respondents have been asked to include JobKeeper payments in their wage and salary data. This is consistent with the survey of Average Weekly Earnings (AWE) approach.

As the subsidy falls outside the WPI conceptual framework, during the data validation process any effect from the JobKeeper Payment is excluded from the index.

Q. How is the WPI calculated?

A. The WPI is a Laspeyres-type index covering wage and salary costs. It measures the change in the price between the current period and the price at a given base period with the quantity and quality of labour services being held constant.

To ensure that the quality and quantity of labour services are held constant, changes in the composition of the labour force, hours worked, changes in characteristics of employees (e.g. work performance) are all excluded from the index.

For more information on the calculation of the WPI refer to [WPI: Concepts, Sources and Methods 2012 \(cat. no. 6351.0.55.001\)](#), Chapter 2 "Purposes and Uses of the Wage Price Index" and Chapter 10 "Wage Price Index Calculation in Practice".

Q. How do I read or interpret a price index?

A. A price index is a tool that allows users to calculate movements over time. The wage price indexes show how prices have changed relative to a reference base of the financial year 2008/09 = 100.0. Movements of the index from one date to another can be expressed as either points or percentage changes and these are rounded to one decimal place.

The following example illustrates the method of calculating changes in index points and

percentage changes between any two periods:

**TOTAL HOURLY RATES OF PAY EXCLUDING BONUSES,
All Sectors, Australia Index numbers, trend**

	Index number
June quarter 2012	112.5
less June quarter 2011	108.5
Change in index points	4.0
Percentage change	$4.0/108.5 \times 100 = 3.7\%$

The rise in wages between the June quarter 2011 and the June quarter 2012 was 3.7%.

For more information refer to [WPI: Concepts, Sources and Method 2012 \(cat. no. 6351.0.55.001\)](#), Chapter 4 "Price Index Theory" and Chapter 12 "Outputs and Dissemination", and [Wage Price Index, Australia \(cat. no. 6345.0\)](#), Explanatory Notes tab paragraphs 32-34.

Q. What index should I use for contract escalation?

A. Price indexes are often used in contracts by businesses and government to adjust payments and/or charges to take account of changes in categories of prices (Indexation Clauses). Although the ABS acknowledges that the various price indexes it publishes are used in indexation clauses, it neither endorses nor discourages such use.

The ABS is the central statistical authority for the Australian government. Its role includes a requirement to publish price index data, and to broadly explain the underlying methodology and general limitations of such data. The ABS may provide information about price index is published by it, but will not recommend or comment on the use (or otherwise) of the price indexes. In addition, the ABS does not advise, comment or assist in preparing or writing contracts, nor does it provide advice on disputes arising from contract interpretation.

The ABS has prepared information for users that sets out a range of issues that should be taken into account by parties considering including an indexation clause in a contract using an ABS published price index. This paper [Use of Price Indexes in Contracts](#) is available on the ABS website. Latest WPI data is available in, [Wage Price Index, Australia \(cat. no. 6345.0\)](#).

Q. Can I use the WPI to compare employer costs between states/industries/sectors?

A. The index numbers for any two periods can be used to directly calculate the change or movement in the price of labour between the two periods.

In the September quarter 2012, the All sectors headline index for WPI (Total hourly rates of pay excluding bonuses) was 115.2 for Western Australia and 112.5 for South Australia. This means that since the reference period 2008–09, wages in Western Australia have increased more than South Australia. This does not mean wage levels are necessarily higher or lower in Western Australia than South Australia .

Q. What is published in the WPI?

A. The WPI broadly measures changes in the wages paid by Australian businesses to employees and it is compiled and published quarterly, approximately 7 weeks after the end of each quarter. Individual indexes are compiled for various combinations of state/territory, sector (private/public), and industry divisions. The "headline measure" of the Wage Price Index is the index for the total hourly rates of pay excluding bonuses for Australia and is published in original, seasonally adjusted and trend terms. The percentage changes published are compared with the previous quarter and the same quarter of the previous year. The seasonally adjusted and trend series for some quarters are advised as extra quarters are included in the series analysed for seasonal influences, but the non-seasonally adjusted (i.e. original) series is not revised in normal circumstances.

For information on how the indexes are compiled and published refer to [WPI: Concepts, Sources and Method 2012 \(cat. no. 6351.0.55.001\)](#), Chapter 12 "Outputs and Dissemination".